

765—4.3(327I) Project analyses. The staff shall prepare an economic analysis and a financial analysis of each complete application and submit a recommendation based on these analyses to the authority.

4.3(1) *Economic analysis.* The economic analysis shall determine the net present value of the proposed project. The net present value shall be determined by subtracting the present value of project costs from the present value of benefits to the public, user(s), and carrier(s).

a. Public benefits shall include the savings in road construction and maintenance costs resulting from diverting traffic from public roads to the railroad.

b. User benefits shall include the change in net income the user(s) could accrue if rail service is maintained or improved versus if rail service is terminated or unimproved.

c. Carrier benefits shall include the change in net income (excluding depreciation of those project costs required in paragraph “d”) a carrier(s) could earn operating a facility if rail service is maintained or improved versus if rail service is terminated or unimproved.

d. Project costs shall include costs occurring from the use of labor, land, materials, and equipment directly attributable to the project. These costs shall be reduced by the value of salvageable materials to be replaced during the project.

e. The factors entered into the economic analysis shall be computed from the point of view of the entire state.

f. All benefits and costs shall be discounted to present value.

4.3(2) *Financial analysis.* The financial analysis shall be based upon, but not limited to, an examination of the projected cash flow of the project and the variable factors which may affect the cash flow. The analysis shall address the following questions:

a. What are the factors (e.g., number of carloads, interest rates, amount of equity to be invested) which may vary significantly enough to affect the cash flow and viability of the project, and what may be the projected effect upon cash flow of these variations?

b. Can the project reasonably be expected to generate enough cash flow to repay a commercial loan, in which case financing by IRFA may not be necessary?

c. Can the project reasonably be expected to generate enough cash flow to cover all operating expenses, including an allocation for maintenance-of-way sufficient to maintain the property, where applicable?

d. Can the project reasonably be expected to generate enough cash flow above and beyond operating expenses to repay an IRFA loan?

e. If the project cannot reasonably be expected to be able to repay a loan, would the project be financially viable with an IRFA grant?

f. If a project is found to have a reasonable chance of being financially viable with IRFA assistance, how much of that assistance is necessary and what financing terms are necessary to achieve viability?

g. Are the total public benefits (public benefits plus user benefits) from the project greater or less than the total public costs (all costs of proposed financial assistance from government and users)?

4.3(3) *Recommendation.* The staff shall not recommend funding for a project unless all of the following conditions are satisfied:

a. The net present value of the proposed project is positive, or the benefits to the public, user(s), and carrier(s) which have no determinable precise monetary value are judged by staff to outweigh a negative calculation. The benefits with no determinable precise monetary value may include, but are not limited to, the following:

(1) Safety impacts; e.g., reduced likelihood of accidents involving personal injury or hazardous cargoes.

(2) Economic development impacts; e.g., increase in employment opportunities or increase in industrial development.

(3) Environmental impacts; e.g., changes in ambient noise levels or air quality.

b. The staff finds the application is consistent with the policies and plans of the state transportation commission, as submitted to the general assembly.

c. The financial analysis indicates the applicant is financially responsible and able to undertake the project.

This rule is intended to implement Iowa Code subsections 327I.7(6), 327I.7(7), 327I.7(8), and 327I.8(2).